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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Analysis of establishing a global procurement hub for all peacekeeping missions in Brindisi, Italy

Report of the Secretary-General*

Summary

The Secretary-General, in his report of 7 April 2004 to the General Assembly (A/58/762), examined the merits of establishing a global procurement hub as well as relocating certain logistics functions, including communication and information technology, to the United Nations Logistics Base (UNLB), located in Brindisi, Italy. The Advisory Committee on Administrative and Budgetary Questions, during its follow-up discussion with the representatives of the Secretary-General and in its subsequent report (A/58/796), requested the Secretary-General conduct a detailed review of the operational implications and a cost-benefit analysis of various options for redeployment of functions and posts from United Nations Headquarters in New York to UNLB. The Advisory Committee also asked that the input of key related interlocutors or clients be taken into account. This request was endorsed by the General Assembly in its resolution 58/297.

The Secretary-General has conducted a comprehensive review, involving all stakeholders, of the multidimensional implications of relocation of procurement and logistics functions to UNLB, taking into consideration the current volatile operational environment as well as the evolving role of UNLB in support of peace operations. To ensure the thoroughness of the review, the Secretary-General also engaged the services of an international consulting firm to conduct an independent study of the operational efficiencies and financial costs and to address the specific comments and questions contained in document A/58/796.

* The late submission of the report is attributable to time taken to ensure a comprehensive report on this issue.

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The present report, supported by the independent analysis and data of the external consultants, reinforces the conclusions contained in document A/58/762 and finds that it would be neither operationally advantageous nor cost-effective to relocate logistics and procurement functions from New York to UNLB.

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions, in its report on the support account for peacekeeping operations for 2003/04 (see A/57/776, para. 99), requested that a comprehensive examination be conducted of the merits of establishing a global procurement hub for all peacekeeping missions at UNLB in Brindisi, transferring both posts and non-post resources financed from the support account at Headquarters and retaining only a few posts in New York for policy and liaison functions. The Committee made a similar request in its report on UNLB for 2003/04, with reference to communication and information technology (see A/57/772/Add.9, para. 22). The General Assembly endorsed those requests in its resolutions 57/318 and 57/320.

2. On 7 April 2004, the Secretary-General submitted his report (A/58/762) to the Committee on the subject of establishing a global procurement hub in Brindisi.

3. Consequent to its review of document A/58/762 and follow-up discussions with the representatives of the Secretary-General, the Advisory Committee requested that a new report be prepared and that it examine in particular issues relating to organizational and operational efficiency and include responses to a number of specific requirements contained in paragraph 3 of the Committee's report (A/58/796). The General Assembly endorsed the request in its resolution 58/297.

4. In order to ensure a report that would fully respond to the observations and recommendations of the Advisory Committee, the Secretary-General conducted a comprehensive review, involving all stakeholders, of the multidimensional implications of relocation of procurement and logistics functions to Brindisi in a peacekeeping operational environment marked by risk and volatility, also taking into account the evolving role of UNLB in support of field missions, particularly in the context of strategic deployment stocks operations. As a part of this review, and in order to ensure an independent, objective and comprehensive review of the issue, the Secretary-General engaged an external international consulting firm.

5. The present report is structured to specifically address the issues raised by the Advisory Committee. It provides the Secretary-General's observations arising from the consultant's report, and includes comments from the UNLB Steering Committee.

II. Methodology of the comprehensive review

6. The review was conducted on the basis that the primary measure of operational effectiveness was the extent to which any changes made would translate into improved service and support for peacekeeping missions in the evolving operational environment. It was also assumed that the affected departments and offices would have the necessary lead time to adapt their organizations and processes to the post-relocation set-up. This would include reallocation of responsibilities and transfer of skills to allow the separation and relocation of the functions identified. This assumption allowed the analysis to take a more flexible view of the various roles and responsibilities, without being bound by the specific skill sets and experience of individuals serving in the units at present.

7. Particular focus was placed on the operational linkages and interdependencies between the Headquarters-based procurement and logistics functions and those

currently being carried out at UNLB. On the basis of the linkages identified, it was found that the integrity and efficiency of the requisitioning and procurement processes benefit from their being co-located. In order to identify the functions of the Procurement Division of the Department of Management and the Logistics Support Division of the Department of Peacekeeping Operations that could be relocated, extensive consultations were conducted within the Secretariat, including with senior management, field missions and other United Nations departments. It was on this basis that the cost effectiveness of relocating to UNLB was examined.

8. In addition, the impact of relocation — and transient disruption — on the overall operational effectiveness of the delivery of support to field operations was examined, particularly with respect to the efficiencies of the affected entities, including:

(a) The recent increase in the demands on logistics and procurement functions supporting peacekeeping operations, due primarily to the rapid deployment or expansion of six missions in the last two years;

(b) The ongoing effort to further restructure and consolidate logistics and procurement functions, including integration of business processes and upgrading of information technology systems;

(c) The integration of the mission planning and deployment processes and the resulting evolution of integrated logistics, operations, military and police planning groups and deployment activities and processes;

(d) The plans for future expansion of the role of UNLB in support of peace operations, in particular with regard to strategic deployment stocks operations.

III. Responses to specific questions raised by the Advisory Committee

9. The responses of the Secretary-General to the issues raised by the Advisory Committee in paragraph 3 of its report (A/58/796) are set out below.

- **Identification of the functions that could be transferred to UNLB**
- **An assessment of the impact of relocation of those functions on the delivery of logistics support**
- **A comprehensive matrix of the advantages and disadvantages of the transfer and its impact on the activities of the related departments, divisions and other clients involved with the functions**

10. The Secretary-General finds that the procurement and logistics operational functions should be co-located owing to their close interdependence, and concludes that the nature and frequency of interactions and coordination between requisitioners and procurement rules out the option of geographically separating them without substantial adverse impact on organizational effectiveness. This finding was fully validated by the independent consultants.

11. Similarly, the Secretary-General finds that the relocation of functions would imply a division of the procurement function, which would result in (a) a duplication of functions in both locations; (b) a need to reconfigure the procurement

management structure; and (c) a requirement to relocate or duplicate other related support functions, such as those of the Headquarters Committee on Contracts, the Office of Legal Affairs, and accounts payable. The review further concluded that certain management and oversight functions, such as those provided by the Office of Internal Oversight Services, may also need to be duplicated at both Headquarters and UNLB. The relocation of procurement functions would also negatively affect communication with some outside interlocutors, such as other United Nations entities, contractors, permanent missions and the commercial sections of the consulates of Member States. The consultant's independent study supports this finding.

12. The consultant's findings show that elements of peacekeeping training functions could potentially be relocated to Brindisi. The Secretary-General does not support this proposal on a number of grounds:

(a) The negative factors applying to the relocation of Headquarters posts relating to procurement and logistics, such as difficulties in retaining high-quality staff for sustained periods, apply equally to training staff;

(b) The training section has strong linkages to policy development in the personnel area, and its activities require regular interactions with multiple Headquarters-based stakeholders (e.g. the Office of Human Resources Management, other departments, Member States and legislative bodies);

(c) Increased usage of UNLB as a preferred training site is already being addressed by the proposed establishment of a training presence in UNLB. This would ensure consistent delivery of a number of department-wide training initiatives and rapid response to training needs in-mission. Proposals to that end are reflected in the UNLB budget submission for the year 2005/06 (see A/59/691).

13. A table identifying the functions and a comprehensive matrix of the advantages and disadvantages of such a transfer and its impact on the activities of the related departments, divisions and other clients involved with the functions are attached to the present report as annexes I and II, respectively.

- **An identification of the number of posts related to the functions that would need to be relocated and the impact on units releasing the functions or posts**

- **The infrastructure required at UNLB to receive the transfer of the functions and posts, including such issues as accommodation, medical facilities, schools and security matters**

- **The potential budgetary impact of relocation, including numbers of posts and requirements for start-up of relocation, refurbishment and staff entitlements**

14. Recognizing the critical linkages among the key stakeholders in the Secretariat, the consultants determined that the establishment of a consolidated hub would require the relocation of about 130 posts. The Secretary-General notes that the division of cohesive units would disrupt the operational output of the units releasing the posts and severely curtail management's ability to realign staff resources to efficiently address surge requirements and cater for changing priorities, particularly under the current circumstances when most staff that would be required to relocate are performing multiple functions.

15. Today's global peacekeeping environment is marked by risk and volatility, where concurrent and competing priorities are routinely faced in the planning and management of peace operations. In the last two years, the Secretary-General was able to deploy multiple operations concurrently, largely owing to the stability, flexibility and above all the multi-tasking capacity in the present structures that allow for some movement of human and material support resources to meet the emerging operational requirements. The Secretary-General considers this capacity as a valuable resource built over time and is concerned that relocation could significantly degrade the Organization's capacity to rapidly deploy a mission in emergent circumstances.

16. A survey of UNLB showed clearly that the existing infrastructure available in Brindisi is totally inadequate to host the number of functions and staff associated with the proposed procurement and logistics hub. The deficiencies identified in UNLB by the consultants in terms of medical and education facilities are being remedied, to the extent possible, by the Secretariat. For example, an international school is planned to open later in 2005 to respond to the educational needs of the children of international staff, albeit only up to the age of 12 years. The impact of such initiatives upon retention of high-quality international staff for extended periods was factored into the external consultants' analyses.

17. The Secretary-General has concluded that a relocation of logistics and procurement functions from New York to UNLB is likely to have a significant negative impact on operational effectiveness. The consultants' findings support this conclusion.

18. The financial benefits from a relocation of the functions in question would be very limited with only modest savings in operating costs of less than 5 per cent and with a return-on-investment period of nine years. The financial case for UNLB over New York is further weakened by the current trend in United States dollar and euro exchange rates. The Secretary-General concludes that a relocation of the logistics and procurement functions to UNLB should not be considered due to the weak, and possibly negative financial impact of such a move. A financial sensitivity analysis is attached as annex III to the present report.

- **A new organizational structure for UNLB**
- **An identification of the issues to be addressed with the host country, such as legal, customs and immigration issues**
- **Development of a possible relocation master plan, depending on the outcome of the above, together with cost implications**

19. A relocation will require significant reorganization both at Headquarters and UNLB. A preliminary assessment of the potential division of functions and the relocation implementation plan is attached as annex IV to the report. A more detailed organizational structure for UNLB was not developed at this stage in light of the findings of this report.

20. While the overall relationship with the host Government is cordial and cooperative, the terms of the memorandum of understanding and the various domestic priorities of the region do place limitations on UNLB. This is particularly the case with regard to lead times for issuance of visas for training and other visits by United Nations officials who do not carry European Union passports.

IV. Comments of the UNLB Steering Committee

21. In its report (A/58/796), the Advisory Committee on Administrative and Budgetary Questions encouraged the incorporation of ideas and proposals from the UNLB Steering Committee. The Steering Committee welcomes the initiative of an in-depth study for a possible relocation of procurement and logistics functions to UNLB. The Committee notes, however, that the UNLB operations business case has changed and expanded over the years. UNLB was initially established at Brindisi to support the United Nations Protection Force (UNPROFOR), and was subsequently well positioned to support the United Nations Mission in Bosnia and Herzegovina (UNMIBH) and the United Nations Interim Administration Mission in Kosovo (UNMIK). While UNPROFOR and UNMIBH have been liquidated and UNMIK is in the process of downsizing, in recent years UNLB has taken on increasing responsibilities to support 32 operations globally. The implementation of the strategic deployment stocks has added another dimension to UNLB operations, as described in the recent report of the Secretary-General to the General Assembly (see A/59/701).

22. While the present report concludes that UNLB may not be suitable to host the additional logistics and procurement functions, the responsibilities of UNLB in support of global peacekeeping operations remain undiminished and indeed continue to evolve and grow. To that end it should be noted that certain development projects are proposed for UNLB as it assumes an increasingly important role in support of peace operations. Regardless of any decision on the relocation of Headquarters functions to UNLB, these projects are vital and valid and must be supported to ensure that global peacekeeping operations continue to receive adequate support.

V. Observations

23. The communication and information technology hub for the global peacekeeping communication network was established in 1996 at Brindisi. This location was chosen because of several unique geographical characteristics. Situated at the intersection of the footprints of all satellites utilized to provide communications to the United Nations peacekeeping operations, Brindisi provides a stable and well-positioned location for a global voice and data network hub, and its infrastructure has been leveraged and further developed to support the information and communication technology (ICT) global infrastructure. The central hub through which ICT services are administered ensures the continuous operation of the global network, and facilitates the effective management of resources across theatres of operation. Brindisi also hosts the ICT centrally managed help desk and the network control centre, providing round-the-clock technical support to field operations. The Secretary-General has also strengthened the disaster recovery capability through the establishment of an ICT disaster recovery infrastructure that leverages ICT facilities in UNLB to centrally secure the globally dispersed data assets. In this respect, the San Vito base located about 10 kilometres from Brindisi is being considered as a possible site for expanded peacekeeping communication requirements and for enhancing the Organization's disaster recovery capability.

24. The Secretary-General notes that the proposed relocation of elements of the procurement and logistics functions to UNLB does not follow evolving

peacekeeping support business practices. Peacekeeping logistics support concepts are now much more focused on the delivery of support capabilities than on the delivery of assets. Logistics managers are a critical element of the integrated operations, military and police staff working groups responsible for the mobilization and deployment of civilian and military personnel and equipment. The Secretariat's focus is moving towards the delivery of turnkey service solutions such as electrical power rather than generators, and fuel rather than fuel storage systems. As such, the need to locate procurement and logistics experts, or support managers, with equipment is of decreasing relevance. It is much more operationally efficient to have these technical experts near the decision makers who establish peacekeeping operational objectives so that matching support capabilities are generated and deployed in real time to meet changing operational challenges.

25. The Secretary-General will continue to review functions currently performed in missions that might lend themselves to being centralized at Headquarters in New York, at UNLB in Brindisi or elsewhere.

VI. Conclusions

26. The Secretary-General concludes that a relocation of procurement and operational logistics functions to UNLB is likely to have a significant negative impact on operational effectiveness. The financial case for such a move, as highlighted by the information provided in this report, is weak to negative.

27. Furthermore, the Secretary-General is concerned that removal of critical logistics functions from the existing highly integrated structures in the Secretariat would have a serious negative impact on the overall capacity of the Organization to rapidly and effectively deploy new missions and to provide efficient logistical support to the 32 ongoing peacekeeping and peacebuilding operations.

VII. Actions to be taken by the General Assembly

28. The General Assembly is requested to take note of the present report.

Annex I*

Functions that could be transferred to UNLB

Functional category	*Examples/illustrations of activities*	*Finding and rationale*
1. Helping to define mission parameters and objectives	• Logistics operations planning functions in Occupational Support Service • Specialist Support Service and Communication and Information Technology Service input into overall mission parameters from a technical feasibility standpoint	Retain in Headquarters • Activities in this category require intense and regular interactions with multiple key Headquarters-based stakeholders, e.g., Member States, Force Generation Service, etc.
2. Defining necessary capabilities	• Initial needs assessment and reconnaissance • Mission resource planning and budget formulation • Setting equipment standards and policies	Mostly retain in Headquarters • Mostly happens as a continuation of the mission definition process • Handover from previous step would be very difficult if relocated
3. Deriving technical specifications, requisitioning, delivering them	• Monitor and assess requirements • Develop specifications • Place requisition • Conduct technical evaluations • Negotiating contingent-owned equipment memorandums of understanding	Relocate to consolidated hub • Relatively limited linkages to other Headquarters functions assuming good handover of capability requirements from planning phase
4. Procuring required goods and services	• Full process of procurement involving Procurement Service, Office of Legal Affairs and accounts payable concluding in payment to vendors upon delivery	Relocate to consolidated hub • Co-location of requisitioners and procurement services is crucial due to their heavy interdependencies • Any case for relocating requisitioners therefore translates into a similar move of procurement (for more detail, see para. 7 of main report)

* Direct excerpts from the report of external consultant.

Functional category	*Examples/illustrations of activities*	*Finding and rationale*
5. Managing assets and providing ongoing support to missions	• Manage centralized contracts • Design technical training programmes • Provide technical advice to missions • Receive and inspect goods and services • Maintain comprehensive records on assets of the Department of Peacekeeping Operations (including strategic deployment stocks)	Mostly relocate to consolidated hub • Limited linkage to other Headquarters functions • Depending on location, the consolidated hub could offer greater operational proximity in terms of time-zone alignment for ongoing support • Some inventory management functions may need to stay in Headquarters due to ties to Headquarters oversight bodies and relatively limited daily linkages with rest of logistics
6. Management and oversight functions	• Reporting on activities to Headquarters oversight bodies as requested (including audit responses) • Internal administrative and support activities (e.g., maintaining records, monitoring staff, internal skill-building and training, etc.)	Split between locations • Most ongoing oversight and management will go with unit • Some liaison capacity must be retained in Headquarters to link to oversight bodies and other Headquarters stakeholders
7. Other functions	• Communications and Information Technology Service: information technology and communication support services for all of Department of Peacekeeping Operations • Air Safety Unit: Air safety oversight for all of United Nations including large Department of Peacekeeping Operations component • Specialist Support Service: Requisitioning and technical support to Headquarters functions of Department of Peacekeeping Operations and others (e.g., medical, air transport)	Split between locations • Pragmatic split done on a case-by-case basis due to wide variation in types of activities • Where there is no strong Headquarters linkage, default is to relocate and shift overall centre of gravity to consolidated hub

Annex II*

Matrix of the advantages and disadvantages of the transfer and its impact on the activities of the related departments, divisions and other clients involved with the functions

Impact area	*Factor*	*Advantages*	*Disadvantages*
Operational effectiveness			
Impact of separation of functions for relocation (on balance, positive)	Separation of strategic and operational logistics support functions	• Clearer separation of roles across Logistics Support Division services • Dedicated focus on optimization of operational logistics support	• Need for coordination between strategic and operational hubs
	Organization of logistics and procurement functions	• Relocated functions aligned to ensure integration	• Potential need for some duplication of management and support functions
	Service to Headquarters clients	• Functions with strongest linkages to Headquarters will remain in New York City	• Steps required to maintain benefits of consolidated procurement function
Impact of relocating functions to Brindisi (significantly negative)	Geographical position	• Improved service with greater time zone overlap with missions	• No synergies with other United Nations departments, agencies • At least one stopover for travel to New York and missions
	Ability to attract and retain staff		• High staff turnover and long lead time in filling vacancies, owing to lack of spousal employment options, poorer welfare and services, staff compensation • Limited pool of top candidates for General Service positions

* Direct excerpts from the report of external consultant.

Impact area	*Factor*	*Advantages*	*Disadvantages*
	Conditions offered by host country		• Restrictions on working permits for General Service staff and spouses; need to replace all General Service staff as part of relocation • Occasional difficulty in obtaining visas for visitors
	Facilities	• Clear strengths of location and facilities from a security standpoint due to co-location with Italian military in a generally secure region	• Need for significant investment in upgrade • Lead time for construction or refurbishment
	Business impact:		
	Procurement		• Low synergies with other agencies
	Transport		• Limited access to commercial transport networks
	Training	• Good for simulations and exercises, low level of distractions for trainees	
	Transitional		• Need for significant reorganization and re-engineering
Cost-effectiveness (weak to negative impact)	Staff costs	• Limited savings on General Service salaries and Professional allowances	• Professional assignment grants higher with greater turnover • Cost of recruitment higher
	Other operating costs	• Some savings on rent and travel costs	
	Investment		• Significant investment required to prepare site and relocate staff without disruption to service

Annex III*

Financial sensitivity analysis

Variable	*Potential variance*	*Impact on financial case (base case only)*
Dollar-to-euro exchange rate Assumed: 1.36 (exchange rate of 27 December 2004)	High: +20% = 1.63	Investment: $11.9M (+9%) Cost savings: $1.0M (-33%) Years to payback: 16 (+7 yrs)
	Low: -20% = 1.08	Investment: $9.8M (-9%) Cost savings: $2.0M (+33%) Years to payback: 6 (-3 yrs)
Projected average staff tenure after relocation to Brindisi Assumed: 30 months (current average tenure is 23 months)	High: 36 months	Investment: No impact Cost savings: $1.7M (+13%) Years to payback: 8 (-1 yr)
	Low: 24 months	Investment: No impact Cost savings: $1.2M (-20%) Years to payback: 12 (+3 yrs)
Potential increase in total staff due to permanent duplication in management and support functions Assumed: None	High: 10% (-13 posts)	Investment: $10.6M (-2%) Cost savings: -$0.1M (-108%) Years to payback: No break-even
	Low: 5% (-7 posts)	Investment: $10.7M (-1%) Cost savings: $0.7M (-54%) Years to payback: 25 (+16 yrs)
Duration of temporary duplications in total staff during transition Assumed: 6 months	High: 12 months	Investment: $12.8 (+18%) Cost savings: No impact Years to payback: 11 (+2 yrs)
	Low: 3 months	Investment: $9.8M (-9%) Cost savings: No impact Years to payback: 8 (-1 yr)
Cost of setting up new premises in Brindisi Assumed: $5M	High: +100% = $10M	Investment: $15.8M (+46%) Cost savings: No impact Years to payback: 14 (+5 yrs)
	Low: -50% = $2.5M	Investment: $8.3M (-23%) Cost savings: No impact Years to payback: 7 (-2 yrs)

* Direct excerpts from the report of external consultant.

Annex IV*

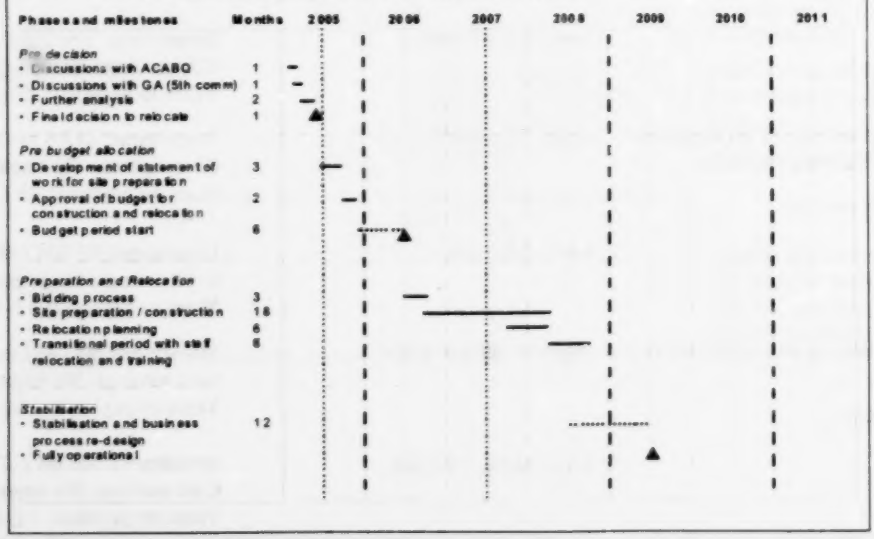
Potential division of functions and preliminary timeline for relocation

A. Potential future division of functions between UNHQ and hub

Impacted unit	UNHQ functional clusters	Consolidated Logistics Hub functional clusters
OSS	*Logistics planning team* • Setting overall mission parameters and objectives (with other DPKO, TCC etc)	*Logistics support center* • MovCon for UNOE • SDS coordination
SSS and CITS (Logistics)	• Technical input to mission planning and resource allocation	• Develop detailed requirements and requisitioning • Monitor delivery of goods and services by vendors • Manage assets and provide ongoing support and backstopping to missions
CITS (Tech support)	*HQ CIT support and liaison* • Support to HQ DPKO users • Coordination with ITSD • Requirements identification for some applications	*Communications IT hub* • Global communications and disaster recovery management • Development and testing of some new applications
Procurement	*UNHQ Procurement* • Procurement for UNHQ units • Some select Peacekeeping procurement • Linkage to oversight bodies	*Peacekeeping procurement hub* • Majority of Peacekeeping mission procurement • Necessary HCC, Legal and Accounts Payable support capacity
Others	• N/A	*Mission support hub* • Civilian Training center

B. Timeline for relocation over up to five years

PRELIMINARY



* Direct excerpts from the report of external consultant.